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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001155

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STATE FOR EAP/TC,  
USTR FOR ALTBACH AND WINELAND,  
USDOC FOR 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON  
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF GOVERNORS,  
AND SAN FRANCISCO FRB/TERESA CURRAN

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TAGS: ETRD ECON PREL PGOV TW

SUBJECT: JEFFREY KOO SPEAKS ON TAIWAN'S FUTURE

Classified By: AIT DIRECTOR STEPHEN M. YOUNG for reasons 1.5 (b), (d)

11. (C) Summary: During a March 29, 2006, courtesy call on China Trust Holdings Chairman Jeffrey L. Koo, Koo lamented the lack of competent political appointees in President Chen's government, but did not rule out a DPP victory in the 2008 presidential election. He also said that President Chen's mainland policies were hurting the economy, though Taiwan business would continue to invest in China. In terms of cross-Strait relations, Koo said that most people in Taiwan felt they already had independence, but the challenge was to maintain it. While not ruling out a possible future political affiliation with China, Koo said that Taiwan would not accept being subservient to China. End summary.

Koo Family Background

12. (C) On March 29, 2006, AIT Director Stephen Young paid a courtesy call on Jeffrey L. Koo, Chairman and CEO of China Trust Holdings, the patriarch of one of Taiwan's most powerful families. Of the three most powerful families in Taiwan, the Koo family has the longest history, the most power, and has proven most adept at prospering under different governments. The family was already prosperous and playing a controversial role in Taiwan history when Jeffrey Koo's grandfather Gu Xiannong, opened the gates of Taipei city to welcome the Japanese in 1895 (an act some viewed as treasonous). Jeffrey's mother and father both suffered and were imprisoned under the KMT "white terror." Jeffrey is the nephew of Koo Chen-fu (who died January 3, 2005) of the Koo-Wang cross-Strait talks. The family supports both Green and Blue politicians. Jeffrey Koo's youngest son, Angelo (Chung-ying), is President of China Development Financial Holding (CDFH). His eldest son Jeffrey Koo, Jr. is Chairman of Chinatrust Commercial Bank.

Taiwan Politics

13. (C) Chairman Koo said that President Chen was greatly handicapped by the lack of experienced KMT officials from the previous administration in his government. Instead, President Chen appointed academics without any previous administrative or political experience to his government. The academics, who were used to only viewing the

theoretically correct answer to any problem, ran into trouble when theory collided with practical realities in actual governance. Chairman Koo also admitted that the KMT contributed to this problem by stopping its members from serving in President Chen's government.

¶4. (C) Koo claimed that government corruption had largely stopped by 2000, but hinted it was now rampant again. He also regretted the split between James Soong (a close personal friend) and the KMT and said that the impact could be long-lasting because old wounds take time to heal. When asked about the presidential election in Taiwan in 2008, Koo suggested that the DPP may still hold on to power. (Note: an assessment that is not often heard, in view of KMT Chairman Ma Ying-jeou's surging popularity.)

#### President Chen's Mainland Policies and Business in Taiwan

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¶5. (C) Chairman Koo said that President Chen's mainland policies have had a negative impact on the Taiwan economy. In order to keep Taiwan from overly relying on investment in China, President Chen's administration has encouraged investment in Vietnam and other Southeast Asian countries. Chairman Koo said that his company has two offices in Vietnam that are both profitable, but smaller in scale compared to his other operations. He indicated that profitability would decide the target of overseas investments, and rhetorically asked that if one could make \$8 in Vietnam and \$10 in China, why should they quit China. He also said that many Taiwan companies are investing in China through indirect channels in order to evade Taiwan restrictions on such investment, but he believed that most Taiwan businessmen would prefer to legally register their China investments, if Taiwan regulations so permitted.

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#### US-Taiwan Relations

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¶6. (C) Chairman Koo asked how the attitude of the U.S. government toward Taiwan would evolve over the next five years. Would the U.S. still support Taiwan maintaining its status as a separate territory, or would the U.S. be more concerned with keeping the peace in the region? While acknowledging this to be a complicated subject, Director Young said personally he could not imagine the U.S. supporting independence because of the potential destabilizing impact on the region.

¶7. (C) Chairman Koo said the people in Taiwan believe that they are independent already, but China believes it owns Taiwan. He added that Taiwan will not belong to any communist country and that a subservient relationship with China would be anathema to Taiwan. Japan now increasingly relies on its own military force to defend itself, but Taiwan needs U.S. military assistance to protect itself from intimidation by China. Chairman Koo suggested that eventually a political affiliation with China might be acceptable to Taiwan, if it were clear that Taiwan does not belong to China. He asked again if the U.S. supports the status quo in Taiwan straits, and Director Young responded that Taiwan should engage China on mutually beneficial issues, but also indicated he was sensitive to President Chen's concern that economic trends will lead to China politically dominating Taiwan.

¶8. (C) Koo indicated that he is very concerned about the future of Taiwan. At the same time, he thought that in the future, Mainland China would perhaps move away from its rigid insistence on a "one China" formula and provide more options to Taiwan in its political affiliation with China. Director Young closed the meeting by urging Chairman Koo to continue offering sound business advice to Taiwan leaders on both sides of the political divide.

¶9. (C) Comment: Koo is increasingly feeling pressure from

his family tradition to serve as a voice of conscience to Taiwan's political leaders. While harboring long-time roots to the KMT, he has made adjustments to the more pluralistic system democracy has brought to the island. We are urging such senior figures to lend their voice to the current debate concerning Taiwan's future. End Comment.

YOUNG